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Macroeconomic policy questions: international financial system and development

Yemen: * draft resolution

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002, 58/202 of 23 December 2003, 59/222 of 22 December 2004, 60/186 of 22 December 2005, 61/187 of 20 December 2006, 62/185 of 19 December 2007, 63/205 of 19 December 2008 and 64/190 of 21 December 2009,

Recalling also the Conference on the World Financial and Economic Crisis and Its Impact on Development and its outcome,¹

Recalling further the High-level Plenary Meeting of the sixty-fifth session of the General Assembly on the Millennium Development Goals and its outcome,²

Expressing deep concern over the adverse impact of the ongoing world financial and economic crisis on developing countries, which highlighted long-standing systemic fragilities and inequalities, stressing that the recovery is uneven and uncertain, that there is no guarantee that a relapse will not occur and that the systemic problems facing the global economy have to be resolved, including through the full accomplishment of the reform of the global financial system and architecture,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.

¹ Resolution 63/303, annex.

² Resolution 64/299, annex.



Emphasizing the urgent need for the United Nations to assume a central and proactive role in global economic governance and reiterating the need to strengthen the leadership role of the United Nations in promoting development,

Reiterating that the international financial system should sustain economic growth and support sustainable development and hunger and poverty eradication efforts in developing countries, while allowing for the coherent mobilization and deployment of all sources of financing for development, including unconditional multilateral funding, the mobilization of domestic resources, international investment flows, official development assistance, external debt relief and a universal, rule-based, open, non-discriminatory and equitable multilateral trading system,

Reiterating also its call for the predictable and timely disbursement of multilateral resources and official development assistance and for putting an end to the ongoing procyclical conditionalities that curtail the available financial options for developing countries and needlessly exacerbate the financial, economic and developmental challenges faced by those countries,

Stressing the importance of commitment to ensuring sound domestic financial sectors, which make a vital contribution to national development efforts, as an important component of an international financial architecture that is supportive of development,

Stressing also that good governance at the international level is fundamental for achieving sustainable development, reiterating in this regard the importance of promoting global economic governance by addressing the international finance, trade, technology and investment patterns that have an impact on the development prospects of developing countries in order to ensure a dynamic and enabling international economic environment, and reiterating also that, to this effect, the international community should take all necessary and appropriate measures, including ensuring support for structural and macroeconomic reform, finding a comprehensive solution to the external debt problem and increasing the market access of developing countries,

Recognizing the continued importance of good governance along with national ownership of policies and strategies, and recalling the commitment to promoting effective and efficient economic and financial institutions at all levels, which are key determinants of long-term economic growth and development, as well as to accelerating the collective recovery from the crisis,

Reaffirming the need to broaden and strengthen the participation of developing countries in international economic decision-making and norm-setting bodies and processes, and stressing to that end the importance of making tangible progress in and accelerating the reform of the international financial architecture, including in respect of the issue of the voting power and voice of developing countries in the Bretton Woods institutions,

Recognizing the important role to be played by increased allocations of special drawing rights in increasing global liquidity, the potential for expanded special drawing rights to contribute to global stability, equity and economic resilience, and that an enhanced role of special drawing rights would help to mitigate the inequality bias of the current global reserve system,

Recognizing also the contribution of the Commission of Experts of the President of the sixty-third General Assembly on Reforms of the International Monetary and Financial System, and taking note of its final report,³

1. *Takes note* of the report of the Secretary-General;⁴
2. *Underlines* that the global financial and economic crisis is still ongoing, stresses that the recovery is uneven, fragile and uncertain, and recalls that the systemic problems facing the global economy have yet to be resolved;
3. *Recognizes* the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including the Millennium Development Goals;
4. *Reaffirms* that global economic growth and a stable international financial system, inter alia, can support the capacity of developing countries to achieve national development goals and internationally agreed development goals, including the Millennium Development Goals, and stresses the importance of cooperative and coordinated efforts by all countries and institutions to cope with the risks of financial instability;
5. *Stresses* the urgent need for the United Nations to assume a central and proactive role in international economic issues, and in this regard resolves to further strengthen the role of the United Nations in economic and financial affairs, including in relation to the reform and well-functioning of the international financial and economic system and architecture;
6. *Recognizes* the work done by the ad hoc open-ended working group of the General Assembly to follow up on the issues contained in the Outcome of the Conference on the World Financial and Economic Crisis and Its Impact on Development,¹ and looks forward to the continuation of its work;⁵
7. *Welcomes* the establishment of an ad hoc panel of experts to produce independent technical advice and analysis, including recommendations on global financial, economic and systemic issues, to be made available to the Economic and Social Council and to the General Assembly;
8. *Underlines* that the ongoing global financial and economic crisis has further highlighted the urgent need for a substantive and comprehensive reform of the international economic and financial system and architecture to address its democratic deficit, in keeping with the new economic realities, including with regard to policies, mandates, scope and governance, not only to better enable it to respond to and prevent financial and economic emergencies, but also to effectively promote development and equitably serve the needs of all Member States, particularly developing countries, stresses that international financial institutions, in particular, must have a clear development orientation, and calls on all Member States to participate in an open, inclusive and transparent dialogue on a new international economic and financial system and architecture;

³ See www.un.org/ga/president/63/letters/recommendationExperts200309.pdf and A/63/838.

⁴ A/65/189.

⁵ A/64/884.

9. *Stresses* that developing countries must have the necessary policy space for pursuing tailored and targeted responses to the crisis in accordance with their development needs and priorities, and calls for a reformed lending and financing paradigm, including the establishment of new credit facilities, as necessary, and the prompt end to conditionalities that curtail the individualized options available to developing countries and needlessly exacerbate the financial, economic and developmental challenges faced by these countries, and within this context, while noting steps taken by the International Monetary Fund in this regard, recognizes that new and ongoing programmes still contain conditionalities and that the reformed lending and financing paradigm of the international financial institutions, with the full and fair representation of developing countries, must move forward with flexible, concessional, conditionality-free, fast-disbursing and front-loaded instruments designed to substantially and quickly assist developing countries facing financing gaps;

10. *Underlines* that the current crisis has further highlighted the fact that reform efforts should include other standard and norm-setting and code-formulating bodies, outside the multilateral system, and that those efforts should ensure the full and fair representation of developing countries in such bodies, including the Financial Stability Board and the Basel Committee on Banking Supervision;

11. *Underscores* that developing countries facing a shortage of foreign exchange because of the fallout from the crisis should not be denied the right to use temporary capital account measures and debt standstills in order to mitigate the adverse impacts of the crisis on the economy, jobs and incomes, including increased poverty;

12. *Stresses* the vital need for ambitious and expeditious reform of the Bretton Woods institutions, particularly their governance structures, based on the full and fair representation of developing countries, in order to address the democratic deficit in those institutions and improve their legitimacy, and that these reforms must reflect current realities and ensure the full voice and participation of developing countries;

13. *Calls* for International Monetary Fund and World Bank quota realignments to result in an equitable voting power distribution between developed and developing countries, without diluting the quotas and shares of individual developing countries, and reiterates that the existing quota formula, biased against developing countries, has to be improved before it is used again, and that the next realignment of quotas in favour of developing countries should go far beyond the initial modest outcome achieved during the April 2008 meeting of the Bretton Woods institutions; in this regard, as a first step, the reforms should achieve, at a minimum, parity of voting power for developing countries as a group in the decision-making process within the Bretton Woods institutions;

14. *Stresses* that the current international reserve system based on a single national currency contributes to economic imbalances and market instability, takes note of proposals for reforming the current system, including with regard to the functions of expanded special drawing rights, and requests the Secretary-General to prepare a detailed study on the feasibility of a more efficient and equitable reserve system, including a stronger role for regional commercial and reserve arrangements, and contingent facilities for balance of payments problems;

15. *Commits* to undertaking further examination of the role of enhanced special drawing rights in the expansion of liquidity, stabilization of the reserve system and the promotion of development, and calls for a new and significant general special drawing rights allocation, in the current basic period, to meet liquidity needs and promote development, as a first step to be followed by regular and periodic allocations of special drawing rights;

16. *Recognizes* that an effective, inclusive multilateral surveillance should be at the centre of crisis prevention efforts and in this regard stresses the critical need for expanding the scope of regulation and supervision and making it more effective, with respect to all major financial centres, instruments and actors, including financial institutions, credit rating agencies and hedge funds, and stresses that developing countries must be given flexibility to adequately regulate their financial markets, institutions and instruments, consistent with development priorities and circumstances;

17. *Stresses* the need to strengthen surveillance of developed countries' economic policies and their impact, inter alia, on international interest rates, exchange rates and capital flows, including private and public financing in developing countries;

18. *Takes note* of the efforts underway to strengthen financial regulation and, in this regard, stresses that the revised standards and their implementation should be flexible enough to take into account domestic circumstances of financial markets in developing countries;

19. *Underlines* the importance of efforts at the national level to increase resilience to financial risk, and stresses in this regard the importance of better assessment of a country's debt burden and its ability to service that debt in both crisis prevention and resolution;

20. *Recognizes* the negative impacts of excessive short-term capital flows and requests the Secretary-General to prepare a report on the role of capital control and prudential measures in mitigating the negative impact of those flows in developing countries;

21. *Invites* the international financial and banking institutions to enhance the transparency of risk-rating mechanisms, noting that sovereign risk assessments made by the private sector should maximize the use of strict, objective and transparent parameters, which can be facilitated by high-quality data and analysis, and encourages relevant development institutions, including the United Nations Conference on Trade and Development, to continue their work on the issue, including its potential impact on the development prospects of developing countries;

22. *Calls on* the multilateral, regional and subregional development banks and development funds to play a vital role in serving the development needs of developing countries and countries with economies in transition, including through coordinated action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and in this regard calls on the international community to ensure that multilateral regional and subregional development banks are adequately funded;

23. *Stresses* the importance of enhanced regional and subregional efforts such as subregional development banks, regional and subregional reserve currency arrangements and regional and subregional integration initiatives, which may have an important complementary role in liquidity provision and development;

24. *Also stresses* the need to continuously improve standards of corporate and public sector governance, including accounting, auditing and measures to ensure transparency;

25. *Further stresses* the urgent need to review the agreement between the United Nations and the Bretton Woods institutions, in collaboration with these institutions, focusing particular attention on the mechanisms for enhancing coordination and cooperation between the United Nations and the respective Bretton Woods institutions and the opportunities for contributing to strengthening the development mandates and effectiveness of the Bretton Woods institutions as part of the ongoing process of reforming and strengthening the international financial and economic system and architecture;

26. *Requests* the Secretary-General to submit a report to the General Assembly at its sixty-sixth session on the implementation of the present resolution;

27. *Decides* to include in the provisional agenda of its sixty-sixth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".